

## Message Text

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ACTION COME-00

INFO OCT-01 EA-07 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

XMB-02 AGRE-00 /103 W

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R 100740Z SEP 76

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 0988

INFO USDEL MTN GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 TAIPEI 6146

E.O. 11652: GDS

TAGS: ETRD, TW, MTN

SUBJECT: US-ROC TRADE NEGOTIATIONS

REF: STATE 194674

1. FOLLOWING IS THE POOL OF ITEMS LISTED IN REFTEL GROUPED INTO FIRST, SECOND AND THIRD PRIORITIES. DESCRIPTIONS OF THE PRODUCTS HAVE BEEN ELIMINATED IN ORDER TO LIST THE ADDITIONAL INFORMATION INCLUDED IN THE TABLE. THE ASSIGNMENT OF PRIORITIES WAS MADE ON THE BASIS OF (A) A SUBSTANTIAL ESTABLISHED MARKET IN THE ROC FOR THE PRODUCT, AND (B) A MARKET SHARE WHICH COULD BE INCREASED BY A RELATIVE LOWERING OF U.S. TARIFFS, ESPECIALLY VIS-A-VIS THE JAPANESE. IN THOSE CASES WHERE OUR POSITION WAS ALREADY DOMINANT, WE FEEL THAT THE LOWERING OF TARIFFS WOULD NOT IMPROVE THE MARKET FOR U.S. PRODUCTS TO THE SAME DEGREE. WHERE THE ESTABLISHED MARKET IS SMALL, WE ALSO ASSIGNED A LOWER PRIORITY, ALTHOUGH A LOWER TARIFF WOULD PROBABLY INCREASE THE SIZE OF THE POTENTIAL MARKET. IN THOSE CASES WHERE WE BELIEVE DEMAND IS ESPECIALLY PRICE SENSITIVE, E.G., FOOD PRODUCTS, WE HAVE ASSIGNED HIGHER PRIORITIES THAN INDICATED BY OUR ORIGINAL CRITERIA. SHOULD THE ROC ACCORD  
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MFN TREATMENT TO U.S. COMPETITORS ON CONCESSIONS MADE TO THE UNITED

STATES, THEN THE SINGLE MOST IMPORTANT CONCESSION WE COULD OBTAIN FROM THE ROC WOULD BE A CHANGE IN THE BASIS OF TARIFF ASSESSMENT FROM THE CURRENT C.I.F. BASIS TO AN F.O.B. BASIS AS DESCRIBED BELOW (PARA 4A).

## 1975 TOTAL IMPORTS

TARIFF NUMBER	TARIFF RATE	U.S. P.C.	U.S. NT000	U.S. SHARE	U.S. SHARE P.C.
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## FIRST PRIORITY

0202(1)	65	9,829	-	0	
(2)	75				
0203(1)	78	991	-	0	
0804(2)	78	22,974	20,682	90.02	
0806(1)	78	134,867	71,796	53.43	
4102(1)	52	2,080,784	369,351	34.17	
(3)	52				
(4)	52				
(5)	59				
8406(2)(C)	46	2,043,985	244,809	23.45	
8410	26	705,662	296,531	42.02	
8417(1)(A)-(K)	16-52	2,116,900	2,171,007	60.04	
8422(6)	(19)-20	2,204,231	742,135	33.67	
8423(5)	13	1,952,194	832,612	42.65	
8455(2)	13	1,629,888	451,737	27.71	
8501(11)	13	3,567,617	2,172,932	60.91	
8515(5)	26	3,489,409	994,566	28.50	
8515(15)	26				
8515(9)#	26				
8519(8)	33	2,949,963	1,126,376	38.18	
8028	19	922,626	389,550	42.22	

#NOTE THAT PRIVATE USE OF RADIO TELEPHONIC TRANSMISSION EQUIPMENT IN THE ROC IS FORBIDDEN.

## 2ND PRIORITY

2006(1)	78	10,694	7,263	67.92	
2906(1)	23	94,349	13,879	14.71	
3304(1)	34	77,996	17,529	22.47	
4101(1)(A)	13	569,820	396,879	69.65	

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4702(1)	13	482,053	255,820	53.07	
(2)	13				
4801	52	719,554	240,831	19.57	
7011	25	48,770	8,332	17.08	
7320	33	471,840	250,838	53.16	
7340(14)	33	522,784	165,509	31.66	
(17)	32				
8402	32	63,688	40,744	63.97	

8411(2)	19	857,001	491,999	57.41
8418(13)	19	765,895	180,318	23.24
8419(1)	46	185,093	26,117	14.11
8440(2)(A)	46	409,036	15,465	3.78
8452(2)	39	384,527	214,786	55.86
8461(2)	26	850,919	368,331	43.29
8465(6)	19	158,753	71,795	45.22
8506(3)	65	36,187	15,971	44.13
8523(1)(A)	26	639,788	224,543	35.10
8703(3)(A)	19	439,977	291,413	66.23

3RD PRIORITY

1602	78	7,124	6,005	84.29
2007(2)(B)	78	1,016	984	96.85
2107(3)	39	46,618	37,321	80.06
2817(1)	46	87,893	65,168	74.14
3814	20	361,986	352,970	97.51
8401(1)(A)	32	2,143,275	2,060,808	96.15
8412	45	183,121	132,094	72.13
8415(1)(A)	25	252,141	192,160	79.36
(B)	46			
(C)	19			
8415(3)(A)	45			
(B)	35			
8512(4)	65	79,667	31,254	39.23
9026(1)	20	70,037	53,021	75.70

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ACTION COME-00

INFO OCT-01 EA-07 IO-13 ISO-00 AGRE-00 FEA-01 AGR-05

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CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 XMB-02 /103 W

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R 100740Z SEP 76

FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC 0989  
INFO USDEL MTN GENEM

C O N F I D E N T I A L SECTION 2 OF 2 TAIPEI 6146

2. THE FOLLOWING ITEMS ARE BEING SUGGESTED FOR ADDITION TO THE POOL. THESE ARE PRIMARILY AGRICULTURAL PRODUCTS WHICH WE BELIEVE WOULD HAVE A BRAODER MARKET WITH REDUCED TARIFFS, AND CERTAIN APPLIANCES IN WHICH LOCAL IMPORTERS HAVE EXPRESSED A PARTICULAR INTEREST:

TARIFF NUMBER	TARIFF RATE P.C.	DESCRIPTION
FIRST PRIORITY		
0201(5)	78	PORK LIVERS, FRESH, FROZEN
0201(5)	78	09( 9*-), NEC, FR, FROZEN
0804(1)	78	GRAPES, FRESH
0812(2)	78	PRUNES, DRIED
8515(1)(A)	45	COLOR TELEVISION RECEIVERS

2ND PRIORITY		
0705(3)	20	GREEN PEAS, DRIED
0705(3)	20	YELLOW PEAS, DRIED
0705(3)	20	PEAS, DRIED, NEC
8415(1)	45	REFRIGERATORS AND REFRIGERATING
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		EQUIPMENT, OTHER THAN DOMESTIC REFRIGERATORS.
8440(E)	19	LAUNDRY AND DRYCLEANING MACHINES, OTHER THAN THOSE FOR DOMESTIC USE.

3RD PRIORITY		
0809	78	CHERRIES, FRESH
2006(7)	78	CHERRIES, MARASCHINO (CANNED)
4101(3)	59	GOAT, KID SKIN LEATHER
BTN NOT KNOWN		HOG SAUSAGE CASINGS

3. WITH REGARD TO THE NTM'S DESCRIBED PARA 5 REFTEL, THE EMBASSY HAS DEVELOPED THE FOLLOWING INFORMATION. (A) LICENSING, PRIOR DEPOSITS, AND LABELING AND MARKING REQUIREMENTS AFFECTING U.S. EXPORT OF RUBBER GOODS, INCLUDING TARIFF NO. 4011(5) - "OTHER RUBBER TYRES, TYRE CASES, ETC." WE ASSUME LICENSING AND PRIOR DEPOSITS MAY REFER TO THE NTM'S DESCRIBED PARA 5C AND 5D BELOW. THERE IS A REQUIREMENT THAT EACH TIRE MUST BE MARKED AS DUTY PAID, WHICH APPARENTLY CREATES A BURDEN FOR IMPORTERS OF THESE PRODUCTS. A LOCALLY ESTABLISHED U.S. COMPANY (GOODYEAR) HAS INFORMED US, HOWEVER, THAT THEY ARE NOT AWARE OF ANY

PARTICULAR PROBLEMS IMPORTING U.S. TIRES. IF THE DEPARTMENT CAN FURNISH US WITH MORE SPECIFIC INFORMATION, WE WILL INVESTIGATE FURTHER. (B) AN IMPORT SURCHARGE OF 50 PERCENT IS APPLIED ON TARIFF NO. 8452(2), "OTHER CALCULATING, ACCOUNTING MACHINES, ETC." TO PROTECT LOCAL INDUSTRY. AGAIN WE HAVE CONSULTED WITH ROC CUSTOMS WHICH STATES IT DOESN'T EXIST, AND LOCAL IMPORTERS, WHO ARE NOT AWARE OF IT. (C) REBATES ON STEEL EXPORTS, GOVERNMENT ASSISTANCE IN FINANCING THE STEEL INDUSTRY, AND GOVERNMENT PROCUREMENT AFFECT THE COMPETITIVENESS OF U.S. EXPORTS OF STEEL, INCLUDING TARIFF NOS. 7320 - "TUBE AND PIPE, TUBE AND PIPE FITTINGS, IRON AND STEEL MANUFACTURES, SOLELY FOR INDUSTRIAL USE, N.E.S." AND 734017 - "BOBBINES AND THE LIKE FOR TEXTILE MACHINERS USE." WE ARE NOT AWARE OF ANY SPECIFIC MEASURES FOR DUSYHHHQFN THE ROC STEEL INDUSTRY, BUT THE INDUSTRY DOES BENEFIT FROM THE GENERAL PROVISIONS OF THE ROC INVESTMENT INCENTIVE PROGRAM WHICH UNDOUBTEDLY ENHANCES THE COMPETITIVENESS OF LOCAL FIRMS. A COPY OF THE BROCHURE DESCRIBING THIS PROGRAM IS BEING AIRPOUCHED TO THE DEPARTMENT. GOVERNMENT PROCUREMENT FAVORING LOCAL FIRMS PROBABLY DOES HAVE AN ADVERSE EFFECT ON U.S. SALES. (D) VALUATION UPLIFT EQUAL TO 20 PERCENT OF C.I.F. COST IS APPLIED

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TO MANY PRODUCTS SUCH AS TARIFF NOS. 8415(3) - "DOMESTIC REFRIGERATORS, ELECTRIC"; 8419(1), ETC. THIS IS A VALID COMPLAINT GROWING OUT OF THE PRACTICE OF CALCULATING THE "DUTY PAYING VALUE" OF GOODS AT 120 PERCENT OF THE C.I.F. VALUE. THE PURPOSE OF THIS, WE UNDERSTAND, IS TO COMPENSATE FOR SUSPECTED UNDER-INVOCING BY IMPORTERS, BUT IT HAS THE EFFECT OF SIGNIFICANTLY INCREASING THE DUTY ON A WIDE RANGE OF IMPORTED GOODS, AND CONSEQUENTLY DECREASES THE COMPETITIVENESS OF IMPORTED GOODS IN THE DOMESTIC MARKET.

4. (A) THE MOST IMPORTANT NTM MENTIONED BY ALL IMPORTERS OF U.S. PRODUCTS IS THE PRACTICE OF CALCULATING DUTY ON C.I.F. RATHER THAN ON F.O.B. BASIS. THIS DIRECTLY IS BENEFICIAL TO THE JAPANESE, WHO HAVE LOWER FREIGHT COSTS, AND ARE BY FAR THE MOST IMPORTANT COMPETITORS OF THE UNITED STATES IN THIS MARKET. (B) THE METHOD OF CALCULATING "DUTY PAYING VALUE" DESCRIBED ABOVE PARA 3(D) WHICH BY RAISING THE EFFECTIVE RATE OF DUTY ADVERSELY AFFECTS THE SALE OF U.S. PRODUCTS IN THE ROC. (C) THE BOARD OF FOREIGN TRADE (BOFT) REGULATION DENYING IMPORT LICENSES FOR CERTAIN GOODS, CURRENTLY INCLUDING MACHINERY ITEMS WORTH MORE THAN \$10,000 WHICH CAN BE PROCURED LOCALLY, AND AUTOMOBILES. (D) IN THE CASE OF QUESTIONS OVER THE CLASSIFICATION OF AN IMPORTED ITEM, ROC CUSTOMS REQUIRE A PRIOR DEPOSIT COVERING THE DIFFERENCE BETWEEN THE DISPUTED RATES. AS THIS DEPOSIT IS OFTEN NOT RETURNED, OR RETURNED WITH LONG DELAYS, IT HAS THE EFFECT OF ASSESSING THE HIGHER OF POSSIBLE RATES.

5. THE MOST LIKELY METHODS WHICH WOULD BE EMPLOYED BY THE ROC TO IMPAIR CONCESSIONS ON TARIFFS WOULD BE TO DENY LICENSES BY

ADMINISTRATIVE DECREE, TO CHANGE TARIFF CLASSIFICATIONS RAISING THE RATES ON SPECIFIC ITEMS, OR POSSIBLY BY IMPOSING SPECIAL TAXES. TO PROVIDE A BASIS FOR SEEKING REDRESSMENT IF CONCESSIONS ARE IMPAIRED, WE SUGGEST THE INCLUSION OF LANGUAGE IN THE AGREEMENT SUCH AS "THE CONCESSIONS MADE UNDER THIS AGREEMENT SHALL NOT BE IMPAIRED BY THE APPLICATION OF ADMINISTRATIVE MEASURES, INCLUDING THE REFUSAL TO GRANT IMPORT LICENSES OR THE PURCHASE OF FOREIGN EXCHANGE, OR THE IMPOSITION OF SPECIAL TAXES OR ANY OTHER MEASURES, WHICH WOULD ADVERSELY AFFECT THE BENEFITS TO U.S. IMPORTS ACQUIRED UNDER THIS AGREEMENT."

6. A COPY OF THE LATEST CUSTOMS IMPORT TARIFF OF THE REPUBLIC OF CHINA DATED 1973 AS REVISED THROUGH 28 JUNE 1976, IS BEING  
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AIRPOUCHED USDOC.

7. THE EMBASSY WOULD APPRECIATE BEING KEPT INFORMED AS PLANS FOR TRADE NEGOTIATIONS WITH THE ROC DEVELOP.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE AGREEMENTS, TRADE CONTROLS  
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**Copy:** SINGLE  
**Draft Date:** 10 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Review Exemptions:** n/a  
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**Status:** NATIVE  
**Subject:** US-ROC TRADE NEGOTIATIONS  
**TAGS:** ETRD, TW, US, MTN  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006